Tanker Market- October 26th

Euronav's "CAP PIERRE", sister of "CAP CHARLES"

Tanker rates have firmed, finally, in mid October, causing excitement certainly among shipowners, and also among the equity analysts. One group of market experts, at brokers Morgan Stanley in New York, who do far more than run tortuous calculations converting Worldscale into profits flowing to the bottom line, have written a thought-provoking report. Titled "The Crude Oil Scramble of 2007: Early Signs of a Winter Shipping Boom for Tankers". The main thesis is that, at some point (unspecified), a surge of shipping from the Arabian Gulf to the West, rather than to Asia, will "be followed by a significant spike in tanker rates." This view is far from universal; only a week earlier, Lazard Capital Markets were actually reducing their earnings estimates (the business end of all that number-crunching) for OSG and Teekay.

It is not clear whether the firming of the past few weeks is the first leg of Morgan Stanley's hoped for turnaround. In the VLCC and Suezmaxes, the nearby positions moved up along with the spot rates- with spot VLCC's on TD3 (Ras Tanura to Chiba) moving up towards WS 60- worth about $22,000/ day. Indicative of these levels were Tian Bao's fixture of 's the now double hulled VLCC *Hebei Mountain* for 260,000 tons AG/ China at WS 60. ExxonMobil agreed to WS 62.5 on a 275,000 ton load on Gulf Navigation's 2007 built *Gulf Sheba*, AG/ Singapore with charterers option Taiwan. The vessel was put on a three year charter at $52,000/day to TMT when delivered several months ago. Single skinned tonnage was discounted- with GS Caltex paying WS 53 for a similarly sized cargo, AG/ S Korea, on the single hulled *Crystal Beauty*. SK paid WS 52 on an AG/ Korea cargo on *Titan Pisces*. VLCC's into the US Gulf were paid WS 77.5, with Shell linked to full cargoes on *Formosa Empire* and *BW Bauhinia*.

The fragile texture of market optimism can be seen among the FFA traders, a group that, very importantly, includes charterers of the large tankers, who have bid up TD3 for Feb and March 2008 to 83- equating to about $45,000/day. But, traders are an impatient group- as the spot rally fizzled, wth rates holding their ground near WS 60 (but not rising further), the forward rates for November '07 and December '07, (which had been in line with the late winter expectations above WS 80) began falling back to WS 70 – WS 75. Hires anticipated on VLCC's for the Winter of 2008- 2009 have budged little from the $40/$45,000/day region, not a disaster, but hardly a boom, either.

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Suezmaxes and Aframaxes presented a variegated story. The spot rates on TD5 (Bonny/ Philadelphia Suezmaxes), after languishing around WS 90 for months, have moved up to around WS 115, with a TCE of roughly $29,000/day. In spot trading Shell fixed Sovcomflot's *Aleksey Kosygin* at WS 115, into the US East Coast. Unlike the VLCCs, there was little upside built into 1Q 2008 prices on the TD5 route, with Feb worth around $34,000/day. Million barrel cargoes around the Med were fetching rates varying from WS 125 on Hellenic Petroleum's 130,000 ton fixture on *United Star*, from Sedi Kerir Sumed pipeline, while Clearlake was paying WS 162.5 on a same size cargo from Novorossiysk to UKC/ Med on Primorsk Shipping's *Prisco Mizar*. Europetroleum paid WS 165 on *Southway* , owned by Tanker Pacific, from Black Sea (Novorossiysk) to UKC. Statoil paid WS 140 on *Iran Sareston* to move 135,000 tons from Ceyhan (BTC pipeline) to UKC Med.

On a slightly longer run, Shell took the Marmaras Navigation owned *Sounion* from Hound Point to US Atlantic at WS 127.5 on a 135,000 ton load. Some brokers were reporting this vessel loading in Norway. Valero fixed a 135,000 ton load from Norway to EC Canada at WS 122.5 on Euronav's ***Cap Charles***. Overall, these rates were up from several weeks ago.

The Aframaxes in the North Sea, on the other hand, were slipping back. The TD7 proxy for a Sullom Voe to Wilhelmshaven lifting has now slid down to WS 145, respectable at $30,000/day equivalent (compared to levels under WS 100 through early October). However, the new levels were below the WS 165 in mid October. ST Shipping paid WS 150 on the iced class *Stena Arctica*, for 100,000 tons Primorsk/ UKC Med, and Clearlake booked two same size cargoes- on *British Eagle* and the Norwegian *Kronviken,* both to UKC at WS 140.

In these sizes, the forward market views all of the spot hoopla as an aberration- they are actually below the nearby frothy levels. Consider that Marathon paid a very healthy WS 195 for an 80,000 ton cargo on the Greek *Minerva Ellie* from West Africa / UKC Med, and that Clearlake was linked to a WS 197.5 fixture of Thenamaris's *Sea Bravery*, loading Black Sea, into the Med. Rates for most 2008 positions, and beyond, have not moved little off the $40,000 level.